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DEPT. OF TRANSPORTATION
DOCKETS

COMMENTS OF HOPE GAS, INC.
TO THE NOTICE OF PROPOSED RULEMAKING
PS-122, NOTICE 1

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DEPARTMENT OF TRANSPORTATION
RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION
CONCERNING THE DEFINITION OF GAS GATHERING LINES

On September 25, 1991 the Department of Transportation gave **Notice** of Proposed Rulemaking in Docket No. PS-122, **Notice** in the Federal Register. (56 **FR** 48505). These comments to the Notice of Proposed Rulemaking are submitted by **Hope** Gas, Inc,

Hope Gas, Inc. (Hope), a wholly owned subsidiary of Consolidated Natural Gas Company, is a local distribution **company** with headquarters located in Clarksburg, West Virginia. Hope serves over 109,000 residential, commercial and industrial customers in West Virginia and operates over 2800 **miles** of pipeline, of which 112 miles are considered gathering lines. **Hope's** gathering system serves approximately 176 gas wells in which Hope has an ownership interest as well as numerous other wells owned by producers from whom Hope purchases gas pursuant to gas purchase contracts.

The Research and Special Projects Administration (RSPA) has requested comments on the proposed rules as well as on several specific questions stated in the notice. Because the proposed rule could result in initial costs to Hope of over \$2 million and annual expenditures of approximately \$48,300.00 without any identifiable benefit to public safety, Hope offers the following comments.

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RSPA believes that ambiguity in the Natural Gas Pipeline Safety Act of 1968 regarding the definition of gathering lines has resulted in disagreement on gathering line classification in many areas including West Virginia. Hope has not experienced any difficulty with federal or state inspectors regarding the classification of gathering lines.

Although the Act exempts rural gathering lines, it does require gathering lines within the limits of cities, towns and villages or any designated residential or commercial area to meet the same safety criteria as transmission lines. Any disagreement over classification, therefore, would apply only to rural areas.

From Hope's perspective the problem is not defining "gathering" but rather identifying criteria affecting the public safety which should apply to any facilities regardless of classification. The Act permits the Secretary of the Department of Transportation (DOT) to define "any similar populated area" as non-rural (see 49 C.F.R. Part 192.1(b)(2)). The Secretary clearly has the authority to expand the definition of non-rural when public safety concerns, such as proximity of persons and structures, indicate that it is appropriate to do so. Thus gathering lines which could affect the public safety can clearly be regulated under the current statutory scheme.

It would be beneficial to identify objective safety criteria that would impact the well being and safety of people and structures in areas not now regulated rather than attempt to draw up a complex set of definitions which may or may not fairly address all situations. Specific safety standards would clearly promote the basic objective of the Natural Gas Pipeline Safety Act of 1968 and the Federal gas pipeline safety standards issued under the Act.

The definitions in the proposed rule do not address any safety related concerns but rather force a set of definitions upon a complex and widely varying rural pipeline system. Hope believes that the RSPA would be better advised addressing safety criteria rather than attempting to force an objective definition that relies in part on ownership of gas as a criterion for determining the difference between gathering and transmission or distribution.

Hope believes that consideration of several factors specific to the special nature of the Appalachian production fields, which were apparently not taken into account in the definition of "gathering **line**", would mitigate the harsh impact of the rule as proposed.

The proposed regulations, as written, first take into consideration the presence of natural gas liquids products extraction plants. Where an extraction plant is present, the gathering classification extends from a well to an inlet of the plant. Where no extraction plant exists, as is the case on **Hope's** system, the next criterion defines gathering

lines as ending at the custody transfer point of natural gas. This point for Hope is often at the field production meter for gas purchase contracts. This second criterion would result in reclassification of most if not all of Hope's 112 miles of gathering lines to transmission or distribution because no extraction plant is present on Hope's system. A unique feature of Appalachian production is that much locally produced gas is delivered directly into Hope's system without being processed. Because a significant portion of Hope's gathering lines are located in a production field which is jointly operated by Hope and a partner, with the partner's share of production purchased by Hope, custody of the partner's share of the production from that field is transferred at meters located throughout the gathering system serving the field., Therefore, Hope believes that there is a need to include additional criteria for demarcation of gathering lines.

Where no extraction plant is present, Hope suggest that the gathering classification should end at the inlet of a compressor station located in or adjacent to a production field. This criterion corresponds to the concept of a central location in the production field where gathering would end and transmission begin. In the Appalachian area, a compressor station is a production facility and may pump gas from many individual wells. It is located on the downstream side of the custody transfer points (meters) of gas purchase contracts. Compressors serve as a meaningful

point of demarcation since they are used primarily for enhancing production. Hope believes that all pipelines between wells and compressor stations should be considered gathering.

Hope further suggests that where no products extraction plant and no compression is located in or adjacent to a production field, an additional criterion for defining gathering lines by limitation on pipe size should be included before relying on points of transfer of custody of the gas. Custody transfer points arbitrarily distinguish similar systems based only on the transfer of custody between pipeline operators' own production and that of third parties, and not on pressure, capacity, or volume of gas transported. In order to mitigate this effect in the Appalachian basin, Hope suggests that RSPA limit the application of the proposed criteria in paragraphs (2) and (3), so as not to force a classification of transmission or distribution on pipelines of less than 9 1/2 inches in diameter in a production area. The cutoff is arbitrary **because** no pipeline is made with a 9 1/2 inch outside **diameter**, but will be less confusing to remember. Ten inch pipe **can** be transmission but 8 inch cannot. The Public Utility Commission of Ohio has adopted this standard as a part of its test in distinguishing transmission lines and gathering lines. Hope proposes this limitation to ensure that smaller sized lines not associated with processing plants and compressor stations will remain gathering lines.

As the proposed rule is written, all gathering lines that would be reclassified as transmission or distribution lines, would be subject to Section 192.14. Because of the magnitude of the gathering lines which could be affected, a provision for waiver of Section 192.14 requirements would be appropriate. The situation would be similar to the application of the Act to older lines which were brought under its jurisdiction at its inception. Specifically Hope recommends that the MAOP for gathering lines redefined as **transmission** lines pursuant to the proposed rule be **established** as:

"The highest actual operating pressure to which the segment was subjected during the five years preceding (the effective date of the rule) unless the segment was tested in accordance with paragraph 192.619(a)(2) or the segment was updated in accordance with Subpart K of Part 192."

Absent the inclusion of a compressor station or a limit on pipe size in the definition, the proposed rule defers to paragraph (2) of the definition which states, **"If** there is no natural gas processing plant, the point where custody of the gas is transferred to others who transport it by **pipeline** to: (i) a distribution center, (ii) a gas storage **facility**, or (iii) an industrial consumer." Because custody is transferred on Hope's system at a gas metering point, most if not all of Hope's 112 miles of gathering lines would be reclassified as transmission or distribution lines.

The initial financial burden of bringing these pipelines into conformance with the proposed rule, is

approximately \$2 million. In addition, Hope would incur annual expenditures of approximately \$48,300 to maintain the reclassified lines in compliance with the rules. Hope believes these costs are unreasonable for an area which is rural in nature and where no benefit to public safety has been identified.

Because of the magnitude of the expenditure required to conform to the proposed rule, Hope believes that **a 5 to 10** year implementation period is warranted to minimize this financial impact.

RESPONSE TO QUESTIONS

The RSPA has asked several questions regarding the impact of the proposed rule.

Question No. 1

"RSPA seeks comment on how many miles of pipeline currently classified as gathering lines would have to be reclassified **as transmission lines.**" (56 FR 48509)

Answer

Most if not all of Hope's **112 miles** of gathering lines would be impacted by the proposed regulations.

Question No. 2

"**Have** these pipelines been the subject of dispute between the pipeline operator and state and federal enforcement personnel **query?**" (56 FR 48509)

Answer

Hope is not aware of any disputes over lines which are now classified as gathering.

Question No. 3

"RSPA also seeks comments on any costs associated with reclassification." (56 FR 48509)

Answer

Total initial compliance costs for Hope are estimated to be **\$2,240,000** plus an annual increase in operation and **maintenance** costs of approximately \$48,300.

MODIFICATIONS OF **THE PROPOSED RULE** SUGGESTED BY HOPE GAS, INC.

Hope does not believe that the **RSPA** has justified the need to implement a rule which has not been shown to have any **impact** on safety. The financial burden the proposed rules would have on Hope alone mitigates against the adoption of the rule without modification. **As** stated earlier, development of safety criteria which would apply to facilities in proximity to people and structures would be more beneficial to protecting public safety.

Alternatively, Hope suggests that the following modifications to the proposed rule would lessen the severe financial burden of implementation on local distribution and transmission companies engaged in production activity in the Appalachian Basin.

1. Add a new paragraph 2 under the Section 192.3 definition of gathering line, as follows:

"(2) If there is no natural gas processing plant, **the** inlet of **a** compressor (other than field compression) located in or adjacent to a production field which is used to maintain a lower

pressure within the pipelines in the production field to enhance **production.**"

2. Renumber present paragraph (2) to paragraph (3) and revise to read:

"(3) If there is no natural gas processing plant or compressor station (other than field compression), the point where custody of the gas is transferred to others who transport it by pipeline to:

- (i) A distribution center
- (ii) A gas storage facility, or
- (iii) An industrial or commercial **consumer.**"

3. Renumber present paragraph (3) to paragraph (4) and revise as follows:

"(4) If there is no natural gas processing plant, compressor station (other than field compression), or point where custody of the gas is so transferred, the last point downstream, where gas produced in the same production field or two adjacent production fields is commingled."

4. Add a new paragraph (5):

"(5) Provided, however, that no gathering lines having an outside diameter of less than 9 1/2 inches shall be classified as transmission or distribution lines pursuant to paragraphs (3) or (4) above/

5. Renumber paragraph (4) to paragraph (6)
6. Change new paragraph (6)(i) to read:

"**From** the end points in (1), (2), (3) or (4) . . ."

7. Change initial paragraph of definition to read

". . .except as provided in paragraph (6)"...and

". . .to an applicable end point described in paragraphs (1), (2), (3) or (4) **below:**"

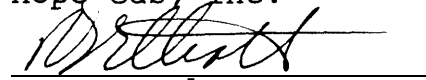
8. Add a new paragraph to Section 192.14 to waive the **application** of section **192.14(a)(40)** to gathering lines reclassified to transmission or distribution lines as a result of the proposed rules in Docket No. PS-122. Implernentation of the new rules should treat any conversions in the same manner as pipelines installed prior to November **1970** for establishing a maximum allowable operating pressure. Specifically Hope recommends that the MAOP be established for gathering lines converted to transmission or distribution lines under the rules established in Docket No. PS-122, as:

"**The** highest actual operating pressure to which the segment was subjected during the five years preceding (the effective date of the rule) unless the segment was tested in accordance with paragraph 192.619(a)(2) or the segment was **uprated** in accordance with Subpart K of Part 192."

Hope Gas, Inc. appreciates the opportunity to comment on the proposed rule.

Respectfully submitted,

Hope Gas, Inc.


By Counsel

Date: November 22, 1991

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